GARY SINISE FOUNDATION AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

(WITH COMPARATIVE TOTALS FOR 2017)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
THE GARY SINISE FOUNDATION AND SUBSIDIARY
Woodland Hills, California

We have audited the accompanying consolidated financial statements of The Gary Sinise Foundation and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Gary Sinise Foundation and Subsidiary as of December 31, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Organization has adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited The Gary Sinise Foundation and Subsidiary's 2017 consolidated financial statements and our report dated July 18, 2018, expressed an unmodified opinion on those audited consolidated financial statements. As part of our audit of the 2018 consolidated financial statements, we also audited the adjustments to the 2017 consolidated financial statements to apply the change in accounting principle discussed above. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, adjusted for the change in accounting principle discussed above, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived. Also, in our opinion, such adjustments are appropriate and have been properly applied.

Armanino LLP

Armanino LLP
Los Angeles, California

August 5, 2019

THE GARY SINISE FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	$ 22,160,986	$ 14,232,496
Investments	15,894,640	15,821,217
Grants receivable, current portion	4,790,362	3,428,420
Receivables from agreements with outside organizations	-	1,250,000
Beneficial interests in grants receivable	70,465	70,465
Inventory	138,829	93,231
Prepaid expenses and other current assets	842,352	520,851
Total Current Assets	43,897,634	35,416,680
Property and equipment, net	1,678,863	1,690,796
Grants receivable, net of current portion and discount	1,071,949	145,000
Deposits	40,073	24,411
TOTAL ASSETS	$ 46,688,519	$ 37,276,887

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 3,125,536	$ 503,345
Deferred income	-	9,250
Grant payable, current portion	15,000	144,379
Deferred rent	255,213	269,373
Total Current Liabilties	3,395,749	926,347
LONG-TERM LIABILITIES		
Grant payable, net of current portion	-	15,000
TOTAL LIABILITIES	3,395,749	941,347
COMMITMENTS (Note 6)		
NET ASSETS		
Without donor restrictions		
General or undesignated	21,865,114	15,771,850
Board-designated endowment	11,193,846	11,722,978
Total without donor restrictions	33,058,960	27,494,828
With donor restrictions	10,233,810	8,840,712
TOTAL NET ASSETS	43,292,770	36,335,540
TOTAL LIABILITIES AND NET ASSETS	$ 46,688,519	$ 37,276,887

See independent auditor's report and accompanying notes.

THE GARY SINISE FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018			
	Without Donor Restrictions	With Donor Restrictions	Total	2017
PUBLIC SUPPORT AND REVENUE				
Bequests	$ 393,295	$ -	$ 393,295	$ 1,894,884
Foundations	1,521,891	9,350,182	10,872,073	5,751,895
Individuals	11,299,577	2,637,395	13,936,972	9,829,340
Corporations	395,213	2,977,525	3,372,738	3,353,672
In-kind donations	6,007,480	-	6,007,480	3,703,506
Performances	296,500	-	296,500	181,500
Board contributions	111,889	1,392,303	1,504,192	1,854,147
In-direct public support	962,891	14,398	977,289	637,211
Merchandise sales	82,907	-	82,907	57,233
Proceeds from dissolution of other organization	-	-	-	1,200,000
Other income	34,774	-	34,774	86,618
Investment income, net of investment management fees of $56,782	468,095	-	468,095	360,065
Realized/Unrealized gain (loss) on investments	(939,353)	-	(939,353)	697,468
Total Support and Revenue	20,635,159	16,371,803	37,006,962	29,607,539
Net Assets Released from Restrictions:				
Restricted satisfied by payments	14,978,705	(14,978,705)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	35,613,864	1,393,098	37,006,962	29,607,539
FUNCTIONAL EXPENSES				
Program services	27,003,488	-	27,003,488	19,894,469
General and administrative	1,915,915	-	1,915,915	1,085,212
Fundraising	1,130,329	-	1,130,329	853,562
Total Functional Expenses	30,049,732	-	30,049,732	21,833,243
CHANGE IN NET ASSETS	5,564,132	1,393,098	6,957,230	7,774,296
BEGINNING NET ASSETS	27,494,828	8,840,712	36,335,540	28,561,244
ENDING NET ASSETS	$ 33,058,960	$ 10,233,810	$ 43,292,770	$ 36,335,540

THE GARY SINISE FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018										
	Program Services						Supporting Services				
	R.I.S.E.	Relief and Resiliency	Community Outreach and Education	First Responders	Military Support Concerts	Total	General and Administrative	Fund Raising	Total	2018	2017
Salaries, payroll taxes and employee benefits	$ 361,384	$ 664,964	$ 391,495	$ 86,890	$ 135,059	$ 1,639,792	$ 598,532	$ 507,358	$ 1,105,890	$ 2,745,682	$ 1,747,973
Accounting	-	10,500	-	-	-	10,500	227,400	-	227,400	237,900	204,500
Advertising and promotion	-	13,500	-	-	-	13,500	160,728	-	160,728	174,228	152,977
Commissions	-	-	-	-	20,500	20,500	-	-	-	20,500	7,500
Computer	7,445	28,294	8,160	1,517	2,371	47,787	69,451	42,186	111,637	159,424	122,605
Construction costs	10,650,844	5,571	-	-	-	10,656,415	-	-	-	10,656,415	11,153,684
Contributions	520,047	678,172	689,615	478,532	-	2,366,366	-	-	-	2,366,366	1,497,163
Depreciation and amortization	50,937	93,745	55,194	12,231	19,043	231,150	84,378	71,528	155,906	387,056	94,375
Equipment rental	34,080	620,764	18,822	46,028	-	719,694	4,044	56,603	60,647	780,341	751,075
Furnishings - In-iind	335,000	-	-	-	-	335,000	-	-	-	335,000	481,000
Insurance	6,568	12,958	8,117	1,577	12,636	41,856	10,881	9,223	20,104	61,960	65,859
Legal	352,511	73,379	14,505	-	131	440,526	81,113	61,462	142,575	583,101	625,915
Merchandise cost	-	11,565	1,539	-	-	13,104	122,679	4,356	127,035	140,139	66,127
Merchant fees	16,022	17,574	6,636	2,789	1,192	44,213	150,488	12,453	162,941	207,154	168,000
Miscellaneous	8,726	18,073	12,811	2,095	3,262	44,967	31,215	16,403	47,618	92,585	63,758
Occupancy	37,678	79,875	139,265	7,731	12,038	276,587	53,338	45,214	98,552	375,139	215,253
Outside services	530,552	2,047,637	485,318	48,937	169,881	3,282,325	188,416	115,898	304,314	3,586,639	1,863,907
Postage	7,279	17,228	15,149	1,555	850	42,061	6,889	34,975	41,864	83,925	61,592
Printing	11,358	41,952	9,422	829	421	63,982	1,864	49,763	51,627	115,609	69,008
Repairs and maintenance	11,541	2,676	2,762	241	376	17,596	1,665	1,411	3,076	20,672	32,420
Supplies	25,890	93,796	108,252	2,174	3,451	233,563	14,699	37,939	52,638	286,201	209,964
Taxes and licenses	111,387	311	471	2,522	-	114,691	7,130	450	7,580	122,271	45,930
Telephone	1,381	6,497	2,351	331	516	11,076	2,645	2,389	5,034	16,110	9,354
Travel and entertainment	285,186	2,998,234	934,119	17,150	26,595	4,261,284	78,664	44,020	122,684	4,383,968	1,934,503
Venue costs	-	2,020,992	-	-	-	2,020,992	-	-	-	2,020,992	117,000
Website	11,891	21,884	12,885	2,855	4,446	53,961	19,696	16,698	36,394	90,355	71,801
TOTAL EXPENSES	$ 13,377,707	$ 9,580,141	$ 2,916,888	$ 715,984	$ 412,768	$ 27,003,488	$ 1,915,915	$ 1,130,329	$ 3,046,244	$ 30,049,732	$ 21,833,243

THE GARY SINISE FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 6,957,230	$ 7,774,296
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Discount on grants receivable	107,697	-
Depreciation and amortization	387,056	94,375
Realized/Unrealized (gains)/losses on invesments	939,353	(697,468)
Donated investments	(738,852)	-
Reinvested dividends and interest, net	(468,095)	-
(Increase) decrease in operating assets		
Grants receivable	(2,396,588)	974,278
Receivable from outside organization, net	1,250,000	(1,200,000)
Inventory	(45,598)	30,195
Prepaid expenses and other current assets	(321,501)	(110,321)
Deposits	(15,662)	(4,783)
Increase (decrease) in operating liabilities		
Accounts payable and accrued liabilities	2,622,191	103,598
Deferred income	(9,250)	(23,250)
Grants payable	(144,379)	(99,379)
Deferred rent	(14,160)	158,010
Cash provided by operating activites	8,109,442	6,999,551
Cash flows from investing activities		
Purchases of property and equipment	(375,123)	(1,520,202)
Purchases of investments	(6,109,085)	(10,935,555)
Liquidation of money market funds	463,816	6,284,613
Transfer to operating account	130,226	-
2017 board designation of funds	-	(500,000)
Proceeds from sale of investments	5,709,214	3,259,464
Cash provided (used) by investing activities	(180,952)	(3,411,680)
Increase in cash and cash equivalents	7,928,490	3,587,871
Cash and cash equivalents, beginning of year	14,232,496	10,644,625
Cash and cash equivalents, end of year	$ 22,160,986	$ 14,232,496

See independent auditor's report and accompanying notes.

GARY SINISE FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 – NATURE OF OPERATIONS

Gary Sinise Foundation ("GSF") (a Delaware nonprofit corporation) was formed in October 2010 with a mission to serve America by honoring its defenders, veterans, first responders, their families and those in need. GSF does this by creating and supporting unique programs designed to entertain, educate, inspire, strengthen and build communities.

GSF believes the ramifications of war leave an indelible impact on all service members. It furthermore believes it is the individual responsibility of each citizen to support America's defenders. GSF is committed to ensuring the sacrifices made by all of our nation's heroes are honored and remembered.

R.I.S.E. (Restoring Independence Supporting Empowerment) builds mortgage-free, specially adapted smart homes for our most severely wounded heroes and their loved ones. In addition, the program provides adapted vehicles, mobility devices, wheelchairs, and home modifications for our injured, wounded, ill and/or aging defenders. Through *R.I.S.E.* GSF provides our heroes with the resources necessary to overcome their new life challenges and reclaim their independence.

Relief and Resiliency lifts spirits and provides complete support to injured, wounded (visible and invisible), ill and/or aging veterans, their loved ones, and gold star families as they cope with trauma and loss during their time of urgent need. GSF is also hosting day-long *Invincible Spirit Festivals* at America's military centers to boost the morale and spirits of the patients, families and staff. GSF's *Mentorship Program* is a seven-day retreat pairing post-9/11 heroes at the beginning of their rehabilitation with wounded veterans from the Vietnam and Korean Wars who have successfully overcome similar struggles. Heal, Overcome, Persevere and Excel, our H.O.P.E. initiative, provides complete support to those who have experienced trauma, illness, injury, or loss during their times of urgent need, sometimes with assistance as simple as help paying bills or buying groceries. Snowball Express focuses on serving the children and surviving spouses or guardians of our fallen military heroes by providing guilt-free, fun and beneficial resources in a stress-free environment, we are creating a community to learn, grow, and make lasting memories with new friends.

GSF's *Community Outreach and Education* programs honor our active duty service members as well as the generations that have served before us. *Serving Heroes* shows appreciation by serving hearty, classic American meals to our defenders all across the world. *Arts and Entertainment Outreach* offers free dinner and performances to local veterans at the Steppenwolf Theatre in Chicago and additional theatres across the country. *Soaring Valor* provides WWII veterans a chance to visit The National WWII Museum and sponsors a historian to document their first-hand accounts of the war. In 2017, the program expanded by inviting students to join the veterans for an educational experience. With an impressive panel of individuals, the *Ambassador Council* inspires, educates, and reminds communities to remember the sacrifices made by all American defenders. A small fraction of our population volunteers to protect our nation, the *Center for Education and Outreach* provides a place to bring civilians and defenders together. The Center will host educational speaking series, workshops, and summits with character building exercises for civilians, injured heroes, first responders, and their families/caregivers.

First Responder Outreach provides grants for equipment, training, and wellness to ensure our firefighters, police, and EMTs have the tools they need to perform to the best of their abilities.

NOTE 1 – NATURE OF OPERATIONS (Continued)

The Lt. Dan Band ("LDB") (a Delaware limited liability company) is wholly owned by GSF and was formed in March 2011. Its proceeds help support GSF's mission. *Gary Sinise and the Lt. Dan Band* continue to bring their exhilarating performances to our nation's service members and their families across the world. Whether boosting morale on military bases at home and abroad or raising awareness and funding through benefit concerts, the band entertains, educates, inspires and builds communities with its explosive live show.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in Account Principle

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities.* ASU 2016-14 makes certain improvements to current reporting requirements, including (1) Reducing the classes of net assets from three (unrestricted, temporarily restricted, and permanently restricted) to two (with donor restrictions and without donor restrictions); (2) Enhancing disclosures about (a) Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions, (b) Composition of net assets with donor restrictions and how the restrictions affect the use of resources, (c) Qualitative information about management of liquid resources and quantitative information about the availability of liquid resources to meet cash needs for general expenditures within one year of the statement of financial position date, (d) Amounts of expenses by both their natural classification and their functional classification in one location as a separate statement or in the notes to the financial statements, (e) Methods used to allocate costs among program and support functions, (f) Underwater endowment funds; (3) Reporting investment return net of external and direct internal investment expenses; and (4) Use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restriction over the estimated useful life of the acquired asset). The amendments have been applied on a retrospective basis in 2018.

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of GSF and LDB (collectively referred to as the "Organization"). All significant intercompany transactions and balances have been eliminated in consolidation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Status

GSF is a nonprofit public benefit corporation organized under the laws of Delaware and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding state provisions.

LDB is a single member limited liability company that is a disregarded entity under the Internal Revenue Code. However, LDB is subject to a California state income tax as well as other state and tax jurisdictions. For California income tax purposes, a limited liability company is required to pay a fee based on its gross receipts as defined, plus $800 annually.

The Organization's federal income tax and informational returns for tax years ending December 31, 2015 and subsequent remain subject to examination by the Internal Revenue Service. The returns for California, the Organization's most significant jurisdiction, remain subject to examination by the California Franchise Tax Board for tax years ending December 31, 2014 and subsequent.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Include contributions, fundraising, fees and other forms of unrestricted revenue and expenditures related to the general operations and fundraising efforts of the Organization.

- *Board Designated Endowment* – The Board of Directors, as part of the Organization's long-term strategic plan, has established a board designated endowment fund. All investment earnings and gains/losses for the year are reported as part of the endowment.

Net Assets With Donor Restrictions – Include gifts and grants received that are restricted with respect to time or use by the donor or grantor. When the restrictions expire, the net assets of this fund are reclassified to net assets without donor restrictions. Restricted gifts and grants received are reported as net assets without donor restrictions if the restriction is met in the same reporting period.

Cash and Cash Equivalents

For the purpose of the financial statement, the Organization considers all investments purchased with a maturity date of three months or less to be cash equivalents. At December 31, 2018, the Organization's cash and cash equivalents balance includes $4,023,054 in short-term money market funds.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions and Grants Receivable

Contributions and grants received are recorded either with or without donor restriction depending on the existence or absence of any donor-imposed restrictions. Contributions are recognized as revenue in the period received. Pledges for future contributions are recorded as receivables and reported at estimated net realizable values. Management anticipates all contributions and grants receivable will be collected and therefore an allowance for potentially uncollectible contributions and grants receivable has not been established.

Inventory

Inventory consists of t-shirts and other merchandise and is stated at the lower of cost or market on a first-in, first-out basis.

Property and Equipment

Purchases of property and equipment are recorded at cost. Donated items are recorded at fair value when received. Depreciation and amortization on both purchased and donated items are recorded using the straight-line method over the shorter of the estimated useful life of the related asset as follows:

Furniture and office equipment	3-7 years
Computer equipment	3 years
Website	3 years
Leasehold improvements	10 years
Vehicle	5 years
Equipment	5-7 years

Normal repairs and maintenance are expensed as incurred, whereas significant charges that materially increase values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

Impairment of Long-Lived Assets

Management reviews each asset or asset group for impairment whenever events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable, but at least annually.

Deferred Rent

Deferred rent represents the difference between the lease payments and the lease expense. The lease expense is recognized on a straight-line basis giving consideration to planned lease escalations and free rent concessions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Donations

In-kind donations consist of contributed assets and contributed services.

Contributed assets are recognized at the asset's fair value on the date of contribution.

Contributed services are recognized if the services received: a) create or enhance long-lived assets or b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The amounts recognized as in-kind donations are as follows:

Donated services	$ 4,708,599
Donated materials	1,298,881
	$ 6,007,480

All of these expenses are included within program expenses.

Concentration of Risk

Occasionally the Organization's cash balances exceed FDIC-insured limits. The Organization has not experienced and does not anticipate any losses related to these balances.

Functional Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated accordingly.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Fair Value Measurements

The fair value of financial assets and liabilities is measured according to the Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification. Fair value is required to be evaluated and adjusted according to the following valuation techniques:

Level 1 – Fair value is determined using quoted market prices in active markets for identical assets and liabilities.

Level 2 – Fair value is determined using quoted market prices in active markets for similar assets and liabilities.

Level 3 – Fair value is determined using unobservable market prices in a market that is typically inactive.

GARY SINISE FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Organization has evaluated events subsequent to December 31, 2018, to assess the need for potential recognition or disclosure in the consolidated financial statements. Such events were evaluated through August 5, 2019, the date the consolidated financial statements were available to be issued. Based upon this evaluation it was determined no subsequent events occurred that require recognition or additional disclosure in the financial statements, except as disclosed in Note 6.

NOTE 3 – GRANTS RECEIVABLE

Grants receivable by year are as follows:

Amounts due in one year	$ 4,790,362
Amounts due in two to five years	1,217,925
	6,008,287
Discount to net present value	(145,976)
	$ 5,862,311

The Organization uses 3% as its present value discount factor.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Furniture and office equipment	$ 377,519
Computer equipment	252,362
Leasehold improvements	1,420,769
Website	111,410
Vehicle	40,624
Equipment	180,503
	2,383,187
Accumulated depreciation and amortization	(704,324)
Net property and equipment	$ 1,678,863

NOTE 5 – GRANT PAYABLE

The Organization entered into a $15,000 grant agreement to an organization that will be paid in 2019.

GARY SINISE FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 6 - COMMITMENTS

Smart Home Construction

Through its R.I.S.E. program, the Organization is committed to building 23 Smart Homes. The total budgeted cost of those Smart Homes total $17,436,369; as of December 31, 2018, the Organization had expended $3,531,074 on those homes, resulting in a remaining net commitment of $13,905,295.

Leases

The Organization leases its offices under an operating lease agreement which expires on November 2025.

The scheduled minimum lease payments under the lease term are as follows:

Year Ending December 31,		
2019	$	511,846
2020		526,033
2021		534,509
2022		552,171
2023		520,385
Thereafter		1,129,926
	$	3,774,870

Total rent expense was $367,132 in 2018.

The Organization entered into a lease agreement for additional space at their existing offices in April 2019. The new lease agreement expires on November 2025 and extends all existing lease agreements until this same date. The effects of the new lease agreement are reflected above.

NOTE 7 – RELATED PARTIES

The founder of the Organization made a pledge in 2018 of $1,500,000 payable over 5 years at $300,000 per year to underwrite the rent for the Center for Education and Outreach. The present value of the pledge is $1,239,775 and is included in the amount reported in Note 2 – Grants Receivable. The founder also does not receive any salary or other form of compensation from the Organization.

GARY SINISE FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 8 – EFFECTS OF IMPLEMENTATION OF ASU 2016-14

The following table shows the effects of the accounting changes in adopting ASU 2016-14 of the Organization's net assets as of December 31, 2017:

	Unrestricted – Without Donor Restrictions	Temporarily Restricted	Permanently Restricted	With Donor Restrictions	Total
Net assets as previously reported December 31, 2017	$27,494,828	$8,840,712	$ -	$ -	$36,335,540
Reclassification resulting from ASU 2016-14	-	(8,840,712)	-	8,840,712	-
	$27,494,828	$ -	$ -	$ 8,840,712	$36,335,540

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of December 31, 2018:

Smart Homes and Home Modifications (R.I.S.E. Program)	$ 7,882,189
Center for Education and Outreach	1,378,754
Hurricane relief	110,685
Snowball Express	433,721
General R.I.S.E.	385,232
General support	43,230
Totals	$ 10,233,810

Included within net assets with donor restrictions above are grants receivable totaling $5,862,311 that are also purpose restricted.

NOTE 10 - BENEFICIAL INTERESTS IN GRANTS RECEIVABLE

The Department of Veterans Affairs offers a Specially Adapted Housing Grant ("SAHG") for Veterans who have a service-connected disability due to military service. During 2016, the Organization completed homes for four Veterans who qualified for a SAHG. Upon completion of the homes, the Veterans entered into an agreement with the Organization to pay the proceeds of the SAHG to the Organization as partial reimbursement of the land acquisition and construction costs. In both years, these amounts consisted of four such grants in the amount of $70,465. As of December 31, 2018, the Organization received $211,395, the remaining balance of $70,465 is expected to be received in 2019.

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NOTE 11 – BOARD-DESIGNATED ENDOWMENT

In the February 2016, the Board of Directors established a board designated endowment fund in the amount of $10,000,000 as part of the Organization's long-term strategic plan. The Organization has adopted an endowment investment policy, approved by the Board, for endowment assets that attempt to maximize the return on invested assets while minimizing risk and expenses. This is to be done through prudent investing and planning, as well as through the maintenance of a diversified portfolio. The Organization targets a diversified asset allocation that places an emphasis on fixed income securities and equity investments with approximately 5% to be held in cash and cash equivalents accounts to be available for program expenditures, administrative costs, and other anticipated expenses. Five percent (5%) of the total market value of the fund as of September 30 of each year may be utilized over the course of the following calendar year for the Organization's administrative and overhead expenses. No such allocation was made in 2018. In 2017 the Board designated an additional $500,000 to the board designated endowment.

Activity in the 2018 Board-Designated endowment was as follows:

Balance, December 31, 2017	$ 11,722,978
Purchases of investments	3,566,868
Proceeds from sale of investments	(3,595,268)
Liquidation of money market funds	28,400
Reinvested dividends and interest, net	376,390
Donated investments	2,326
Unrealized loss	(813,441)
Realized loss	(94,407)
Balance, December 31, 2018	$ 11,193,846

NOTE 12 – INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, investments at fair value as of December 31, 2018:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 1,242,537	$ -	$ -	$ 1,242,537
Mutual funds	3,419,000	-	-	3,419,000
Corporate stocks	2,051,339	-	-	2,051,339
Corporate bonds	-	6,841,275	-	6,841,275
U.S. Treasury notes	1,432,342	-	-	1,432,342
Other marketable security funds	908,147	-	-	908,147
	$ 9,053,365	$6,841,275	$ -	$ 15,894,640

NOTE 12 – INVESTMENTS (Continued)

Activity in the investments during the year was as follows:

Balance, December 31, 2017	$ 15,821,217
Purchases of investments	6,109,085
Donated investments	738,852
Proceeds from sales of investments	(5,709,214)
Transfer to operating cash account	(130,226)
Liquidation of money market funds	(463,816)
Reinvested dividends and interest, net	468,095
Unrealized losses	(845,239)
Realized loss	(94,114)
Balance, December 31, 2018	$ 15,894,640

NOTE 13 – AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets reported on the statement of financial position, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions. Consequently, amounts available exclude net assets with donor restrictions as of December 31, 2018.

Liquidity of financial assets as of December 31, 2018 is as follows:

Cash and cash equivalents	$ 22,160,986
Investments	15,894,640
Grants receivable	5,862,311
Beneficial interest in grants receivable	70,465
Other current assets	34,960
	44,023,362
Net assets subject to expenditures (Note 9)	(10,233,810)
Board designated endowment	(11,193,846)
	$ 22,595,706